

**WATER/FLC/MEY/JMW:jrb****PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION****RESOLUTION NO. W-4518****January 27, 2005****R E S O L U T I O N**

**(RES. W-4518), PONDEROSA SKY RANCH WATER SYSTEM (PSR). ORDER AUTHORIZING AN INTERIM GENERAL RATE INCREASE SUBJECT TO REFUND, PRODUCING AN INCREASE IN GROSS ANNUAL REVENUES OF \$31,615 OR 109%.**

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**SUMMARY**

By Draft Advice Letter accepted on September 20, 2004, PSR requested an increase in rates producing an increase in annual revenue of \$39,470, or 136.2% for test year 2005. To provide PSR with sufficient income to pay operating expenses pending the processing of the utility's general rate case (GRC), this resolution grants PSR an interim general rate increase in gross annual revenues of \$31,615 or 109%. This interim increase is subject to refund upon final resolution of PSR's GRC request.

**BACKGROUND**

PSR is a class D water utility and serves approximately 95 residential customers in Ponderosa Sky Ranch and vicinity, located 10 miles east of Paynes Creek, adjacent to State Highway 36, in Tehama County.

PSR requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service to produce additional revenues of \$39,470 or 136.2% in test year 2005. PSR's request shows 2005 gross revenues of \$28,985 at present rates increasing to \$68,455 at proposed rates to produce a rate of return on rate base of 13.5%.

PSR's present rates became effective on September 5, 2000 pursuant to Resolution (Res.) W-4013, which authorized a rate increase to offset water-testing fees. The

last general rate increase was approved on September 22, 1982 by Res. W-3022, granting an increase of \$9,000 or 99% and an 11.7% rate of return.

The Commission opened Investigation (I.) 02-03-023, an Order to Show Cause why PSR should not be put in receivership. Decision 02-09-004, September 5, 2002 authorized the Legal Division to petition the Superior Court of Tehama County to appoint a receiver.

PSR was put in receivership in October 2003. John W. Richardson is the receiver.

## **DISCUSSION**

The Service Guarantee Plan for Small Water Companies (Standard Practice U-9-SM) allows an interim rate increase for small water companies operating at a loss on a cash flow basis. The interim rate increase provides the utility with sufficient income to cover its operating expenses. It is subject to refund pending the final resolution of PSR's general rate increase request.

PSR is currently operating at a loss. The receiver was not able to obtain financial records for PSR, and PSR has not filed its annual reports for several years. The rate increase request was based on financial information for the period from January through June 2004. After an analysis of these records, the Audit and Compliance Branch estimates that PSR should be allowed an interim increase of \$31,615 in order for the utility to meet its cash flow requirements.

The current tariff schedules have an annual billing period, however the company bills quarterly. The interim tariff schedule will show quarterly rates. Since there are no flat rate customers, Schedule No. 2-RA, Annual Residential Flat Rate Service should be cancelled.

The Water Division recommends the proposed interim rates shown below be granted to PSR:

Quantity Rates:

	<u>Old Rates</u>
First 300 cu. Ft. per 100 cu. Ft.....	\$ 0.86
Over 300 cu. Ft. per 100 cu. Ft.....	\$ 1.06

	<u>New Rates</u>
First 300 cu. Ft. per 100 cu. Ft.....	\$ 1.73
Over 300 cu. Ft. per 100 cu. Ft.....	\$ 2.13

Quarterly Service Charge:

	Present Per Meter <u>Per Year</u>	Interim Proposed Per Meter <u>Per Quarter</u>
For 5/8 x 3/4-inch meter.....	\$ 114.00	\$ 54.27
For 3/4-inch meter.....	\$ 150.00	\$ 81.45
For 1-inch meter.....	\$ 180.00	\$ 135.75
For 1 1/2-inch meter.....	\$ 216.00	\$ 271.47
For 2-inch meter.....	\$ 228.00	\$ 434.34

The quarterly bill for a 5/8 x 3/4-inch metered customer using 38.4 Ccf will increase from approximately \$61.52 to approximately \$119.65.

## **NOTICE AND PROTESTS**

A draft notice regarding the full general rate increase was mailed to the utility on December 3, 2004. The customers were noticed on January 6, 2005 of the full increase.

## **FINDINGS**

1. The interim rates recommended by the Water Division (Appendix A) are reasonable and should be adopted.
2. The rate increase authorized in this resolution is subject to refund pending the completion of the staff investigation of PSR's general rate increase request.

3. This is an uncontested matter subject to the public notice comment exclusion provided in the Public Utilities Code Section 311(g)(3).

**THEREFORE IT IS ORDERED THAT:**

1. Ponderosa Sky Ranch Water System is authorized to file an advice letter adopting Schedule No. 1A, General Metered Service attached to this resolution as Appendix A, and to concurrently cancel Schedule No. 1A and Schedule No. 2-RA. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall not be earlier than five days after the date of its filing.
2. The rate increase authorized in this resolution is subject to refund pending the final resolution of Ponderosa Sky Ranch Water System's general rate increase request.
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on January 27, 2005; the following Commissioners voting favorably thereon:

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STEVE LARSON  
Executive Director

**APPENDIX A****Schedule No. 1A**  
**GENERAL METERED SERVICE****APPLICABILITY**

Applicable to all metered water service.

**TERRITORY**

Ponderosa Sky Ranch and vicinity located ten miles east of Paynes Creek adjacent to State Highway 36, Tehama County.

**RATES**

Quantity Rates:

First 300 cu. Ft. per 100 cubic feet.....	\$ 1.73
Over 300 cu. Ft. per 100 cubic feet.....	\$ 2.13

Quarterly Service Charge:

For 5/8 x 3/4-inch meter.....	\$ 54.27
For 3/4-inch meter.....	\$ 81.45
For 1-inch meter.....	\$ 135.75
For 1 1/2-inch meter.....	\$ 271.47
For 2-inch meter.....	\$ 434.34

The service charge is a readiness-to-serve charge applicable to all metered service and to which is added the charge for water use computed at the quantity rate.

**SPECIAL CONDITIONS**

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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